

## M&A Nuggets: Stop Signs

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Contrary to popular belief, most business purchases do not succeed. That is not necessarily a bad thing, because occasionally the best deal is the deal that does not happen. To avoid closing a bad deal, the acquiror should be on the lookout for big red stop signs. Some stop signs are obvious, like material litigation, declining revenues, downward profits or a seller that engages in a particularly risky business. Some stop signs are not so obvious. These more subtle stop signs can spell disaster for a business combination. Examples include:

- a lack of symmetry in business culture between the purchaser and the seller
- the seller's lack of proper recordkeeping, such as poor financial books and records, corporate documents or human resources files
- a seller who is unable to express a rational reason for sale
- a seller who appears recalcitrant in its position and/or somewhat aloof in the negotiation process

Special attention should be paid to these last two items. Starting early in the process, the acquiror should ask a seller about its motivation to sell and its plans for devoting resources to the sale, and then track whether the seller's actions follow its words. Otherwise, an acquiror could be negotiating with a seller who is not "all in," wasting months of time and resources on a fruitless endeavor.